Centre No.			Paper Reference				Surname	Initial(s)			
Candidate No.			6	9	2	5	/	0	1	Signature	

6925/01

Edexcel GCE

Applied Business

Unit 10: Marketing Decisions Wednesday 17 January 2007 - Morning

Time: 1 hour 30 minutes

Materials	required	for	examination
Nil			

Items included with question papers

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Question Number	Leave Blank
1	
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Instructions to Candidates

In the boxes above, write your centre number, candidate number, your surname, initial(s) and signature.

The paper reference is shown above.

Check that you have the correct question paper.

Answer ALL the questions. Write your answers in the spaces provided in this question paper. Additional answer sheets may be used.

Information for Candidates

The marks for individual questions and the parts of questions are shown in round brackets: e.g. (2). There are 8 questions in this question paper. The total mark for this paper is 90. There are 16 pages in this question paper. Any blank pages are indicated.

Advice to Candidates

You will be assessed on your ability to organise and present information, ideas, descriptions and arguments clearly and logically, including your use of grammar, punctuation and spelling.

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Questions 1 to 6 relate to the scenario below

Scenario - Caffè Bologna

Caffè Bologna is a business specialising in providing Italian coffee products, other beverages, quality cakes, sandwiches and snacks. It started with one coffee bar in 2002, with a second opening in 2005. Both outlets have rapidly attracted a loyal customer base, which, with healthy turnovers and mark-ups, have provided the business with substantial funds for a major expansion into other locations.

The coffee is supplied direct from Italy, with good discounts, and this forms the basis of *Caffè Bologna*'s most popular sales, ranging from espresso and americano to mocha and a variety of chilled coffee products. Many of the staff are low-paid young foreigners who are supporting themselves with part-time work as they learn English. This keeps costs down for the business but it does have training implications and there is a need to recruit new staff on a fairly regular basis.

The owners of *Caffè Bologna* purposely located their first two coffee bars in towns which had no direct competition. There were other cafes but they only served filter coffee and their snacks tended to be of a much lower quality. Now the owners of *Caffè Bologna* are planning to expand into nearby towns and cities but they are aware that this will bring them into direct competition with other specialist coffee bars such as *Costa*, *Caffè Nero* and *Starbucks*.

The owners of *Caffè Bologna* are also aware that Euromonitor has reported that the explosive growth of coffee shops in the UK, which started in the mid-1990s and continued into the early 2000s, has slowed considerably. However, the market is still set to grow by a compound annual rate of 8.9% in terms of number of outlets, reaching 3,427 outlets by December 2008, with a £1.4 billion turnover.

Marks & Spencer (M&S) recently entered the market and had 190 Café Revives by 2006. M&S now only serves Fairtrade coffee, responding to research that shows that the majority of customers prefer to buy products where a significant part of the price is paid directly back to producers in developing countries, such as Honduras, Peru, Ethiopia, Indonesia and Tanzania. As yet, Caffè Bologna does not use Fairtrade products.



(a) (i)	With reference to the data in the scenario on page 2, identify a strength, weakness,
	opportunity and threat that would apply to Caffè Bologna.
	Strength
	Weakness
	Opportunity
	Threat
	(4)
(;;)	(4) State why each of your choices in (i) is a strongth weakness concertanity or threat
(ii)	State why each of your choices in (i) is a strength, weakness, opportunity or threat for <i>Caffè Bologna</i> .
(ii)	State why each of your choices in (i) is a strength, weakness, opportunity or threat
(ii)	State why each of your choices in (i) is a strength, weakness, opportunity or threat for <i>Caffè Bologna</i> .
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(ii)	State why each of your choices in (i) is a strength, weakness, opportunity or threat for <i>Caffè Bologna</i> . Strength Weakness



(4)

(b)	Justify one piece of additional information, not specifically shown in the scenario
	on page 2 , that <i>Caffè Bologna</i> would need in order to assess possible threats more accurately.
	(3)
	(Total 11 marks)

			Leave
2.	(a)	Explain why the decision by <i>Caffè Bologna</i> to open new coffee bars would be a strategic marketing decision rather than a tactical one.	
		(4)	
	(b)	Advise <i>Caffè Bologna</i> on two tactical marketing decisions it should consider in relation to its existing coffee bars if <i>Costa</i> , <i>Caffè Nero</i> or <i>Starbucks</i> decided to open up coffee shops in the same towns.	
		(5)	Q2
		(Total 9 marks)	

3.	(a)	With reference to the data in the scenario on page 2 , draw a fully labelled product life cycle for the UK luxury coffee shops market from 1990 to 2008.	Leave blank
	_		
		(6)	

Explain how an established coffee shop chain, marketing mix to ensure that the growth stage of it	
such a competitive market.	p
	(8)
	(Total 14 marks)

Leave

(4)

	(3)
Explain why <i>Caffè Bologna</i> 's current outlets might be considered to be part of a narketing environment.	micro
	•••••
	•••••

(b)

	Leave blank	
Explain how <i>Caffè Bologna</i> 's media mix is likely to change as it moves from the micro to the macro marketing environment.		
(5)	Q4	
(Total 13 marks)		

5.	Before <i>Caffè Bologna</i> expands into new locations it plans to carry out market research on its competitors.	Leave blank
	Advise <i>Caffè Bologna</i> 's owners about one primary and one secondary research method that would be appropriate for this purpose.	
	Primary	
	Secondary	
		Q5
	(Total 8 marks)	

Leave blank

6. Table 1 shows part of the results of a survey that the owners of *Caffè Bologna* carried out with their existing customers to check the profile of people who use luxury coffee shops. The sample was a convenience sample taken at lunch times when staff were free. It sampled 200 people.

Table 1

Male/	Male	Female				
Female	88	112				
Income in	5–10	10–20	20–30	30–40	40–50	50+
thousand £s	28	52	72	31	14	3
Working or not	Full-time	Part- time	At home	At school/ college	Retired	
working	73	44	28	31	24	
How many	Once	Twice	Three times	More	Less	
visits/week	61	79	25	9	26	
Alone or in	Alone	Couple	Group			•
a group	18	78	104			

of Caffè Bologna's coffee bars.
(6)

he	(6) data in Table 1 was collected at lunch time.
e)	
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Leave blank

Give mark	an example of one real major UK business that operates in at least two diversified ets.
	e of business
(a) (i) First type of product and market that the business operates in.
	(1)
(ii) Second type of product and market that the business operates in.
	(1)
	Evaluate the effectiveness of differences in the marketing mix used for the two narkets.
	narkets.

	(Total 10 marks)		

Name	of business		
(a) (i)) Identify the product where skimming pricing has been used.		
	(1		
(ii) Give details of how skimming was applied to this product.		
	(2		
	plain why skimming is a successful pricing strategy for this business.		
•••			
	(4		
	(4		

M 2 5 9 3 4 A 0 1 5 1 6

strategy of skimming?	
	(3)
	(Total 10 marks)
	TOTAL FOR PAPER: 90 MARKS
	END